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DISSENTING VIEWS ON THE TAX CUTS AND JOBS ACT (H.R. 1)

The Tax Cuts and Jobs Act, H.R. 1, is a bad deal for millions of Americans, particularly the middle class. The legislation puts the wealthy and well-connected first, while forcing millions of American families to watch as their taxes go up at every stage of their lives—from childhood to retirement. That's simply not what the American people asked us to do, and it is not something that the Democrats on this Committee can support.

Committee Democrats unanimously opposed H.R. 1 at the markup, because the legislation disproportionately benefits the wealthy and big corporations over hardworking taxpayers who are struggling with the rising costs of education, housing, and other expenses, not to mention the challenges of saving for retirement. Under H.R. 1, nearly one-half of all middle-class families would pay more taxes in 2026 than they would under current law, and about one-third would pay more in 2018. As the Wall Street Journal said this week, this is "a middle class tax cut that is really a hike."

The Tax Cuts and Jobs Act would hurt middle-class families with children.

Rather than provide meaningful assistance to families with children through a much-needed expansion to the Child Tax Credit (CTC), the Republican bill prioritizes tax cuts to wealthy individuals. In fact, the Center on Budget and Policy Priorities estimated that the expanded CTC contained in H.R. 1 would leave out 10 million children in low-wage working families and another roughly 13 million children in low- and modest-income working families would receive something less than the full $600 per-child credit increase. By making the CTC increase nonrefundable, many families would simply not benefit.

The Tax Cuts and Jobs Act would hurt students and teachers.

Our schools are woefully underfunded and students suffer because of it. When their supplies budgets run out (often well before securing essential items like books and paper), many teachers buy supplies for their classrooms with money out of their own pockets. H.R. 1 removes the tax credit these teachers receive for buying these classroom supplies. A survey conducted during the 2015-16 school year found that teachers spend an average of $600 on classroom supplies and materials every year. The current law above-the-line deduction gives them some of that money back. While corporations can deduct the costs of paper and pencils as necessary business expenses, H.R. 1 would take away that ability from teachers across America.

H.R. 1 also harms students. It would repeal two tax credits for students: the Lifetime Learning Credit and Hope Scholarship Credit. The loss of these tax credits alone would cost low- and middle-income students $17 billion over the next decade. While the bill does put into place a one-year extension of the American Opportunity Tax Credit (AOTC), it is less generous than the two tax credits lost plus the extension is only temporary. Under H.R. 1, the AOTC is cut in one-half after four years, which would make the maximum credit $1,250 for the fifth year of education.

Once out of school, H.R. 1 also removes the student loan interest deduction. Currently, student loan borrowers can deduct up to $2,500 of interest paid on student loans. In 2015, more than 12 million people claimed the student loan interest deduction.

For students who work, the bill eliminates the tax-free status of employer tuition reimbursements. A 2013 employer survey found that 61 percent of companies make available some type of tuition-assistance program. While H.R. 1 provides big corporations with extensive tax breaks, the Republicans chose to tax middle-class workers when they benefit from tuition reimbursement programs.

The Tax Cuts and Jobs Act would hurt middle-class Americans and threaten state and local government services.

H.R. 1 harms middle-class Americans by repealing the state and local tax (SALT) deduction for individuals, except for a property tax deduction capped at $10,000. The SALT deduction prevents taxpayers from owing federal taxes on the income they pay in taxes to state and local governments. State and local tax payments are not disposable income, and it is unfair to treat them as such. The SALT deduction is so common-sense that it has been in force since the first federal income tax, adopted more than a century ago, when the whole federal income tax law was three pages long.

Ironically, H.R. 1 would allow corporations to continue deducting state and local taxes, while eliminating much of the benefit for individuals and families.

Currently, more than 100 million Americans in 44 million households claim the SALT deduction. Almost 40 percent of taxpayers earning between $50,000 and $75,000 claim SALT, and over 70 percent of taxpayers making $100,000 to $200,000 use it. Over one-half the value of the deduction went to households with incomes below $200,000. People living in every congressional district in every state in the country use this deduction, and it benefits taxpayers of all income levels, directly or indirectly.

Two-thirds of state and local government spending comes from its income and sales taxes. These revenues support essential public services investments, like schools, local law enforcement, fire fighters, road construction and maintenance, and health care.

Nearly everyone who itemizes claims the SALT deduction; therefore, repealing SALT would raise the cost of state and local services on a wide swath of taxpayers. This would pressure state and local governments to reduce revenues and cut crucial public investments.

The Tax Cuts and Jobs Act would hurt homeowners and home values.

H.R. 1 would hurt homeowners. The American Dream has long included the idea of home ownership but H.R. 1 scales back the tax benefit of buying a new home. It also eliminates private activity bonds, which are key for financing affordable housing. That's why groups like the National Association of Home Builders (NAHB) oppose this bill. H.R. 1 depresses home ownership and home values. The bill cuts the amount people can claim as mortgage interest deductions so that only those people who can afford large down payments can afford to buy homes—especially in coastal cities where home prices are very high. Also, because the bill discourages itemized deductions, many who can now deduct modest mortgage interest will see no tax benefit from that deduction. For many potential homeowners, buying a home will be no better than renting, and they will leave the market. Current home owners will have a smaller pool of buyers to sell to and their home values—the primary source of wealth for middle-class Americans—will decline. According to NAHB President Granger MacDonald, "The House Republican tax reform plan abandons middle-class taxpayers in favor of high-income Americans and wealthy corporations. The bill eviscerates existing housing tax benefits by drastically reducing the number of home owners who can take advantage of mortgage interest and property tax incentives." National Association of Realtors President William E. Brown agreed, "The nation's 1.3 million Realtors cannot support a bill that takes homeownership off the table for millions of middle-class families."

The Tax Cuts and Jobs Act would hurt older Americans.

H.R 1 repeals the medical expense deduction, effectively creating a new Health Tax on older and sick Americans. This Health Tax would result in a tax increase for millions of Americans with high medical costs, especially older Americans. The end result is a massive tax increase for older Americans and individuals living with expensive illnesses—like cancer, Alzheimer's, or a rare disease—to pay for corporate tax cuts.

The medical expense deduction is particularly important for older Americans. Over 73 percent of those claiming the tax credit are over 50 years old, and 55 percent are over 65 years old. One-half of those claiming the tax credit have incomes below $50,000.

The Affordable Care Act helped lower the number of Americans facing medical debt by giving millions health insurance coverage for the first time. However, a severe illness or even medical bills from a car accident, can still mount to thousands of dollars. For the family caring for a premature child, the couple trying to conceive, or the husband caring for a wife diagnosed with Alzheimer's, this deduction is one way to help prevent medical bills from crushing families in debt.

For all of these reasons and more, we oppose The Tax Cuts and Jobs Act.

The middle class in this country are struggling. In passing tax reform, we must take those Americans who feel forgotten and left behind into consideration and build a tax code founded on fairness. This bill simply does not.

Instead, H.R. 1 lets the American people down at every step of their life—from birth through retirement. It fails to provide the needed improvements to the tax code that could assist the hopeful young family trying to keep their head above water; the student trying to do the right thing by getting an education; and the factory worker at the end of a long career just hoping to have enough left over to retire with dignity. Democrats believe that instead of pulling down the ladder of opportunity for those in the middle class, and the millions who aspire to it, we should expand it to make sure that everyone has a fair shot.

The secret, closed door negotiations produced a deeply flawed bill that will hurt the teacher that spends her own money to buy school supplies for their students; students trying to responsibly pay back their student loans; the wife trying to afford her husband's Alzheimer's care; and the janitor who wants to retire with dignity so he can spoil his grandchildren.

American families should not be forced watch as the rich get richer, and they fall further and further behind. H.R. 1 would do just that.

Richard E. Neal
Ranking Member